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PROGRESS REPORT ON THE IMPLEMENTATION OF AGREED CONCLUSIONS AND RECOMMENDATIONS: ISSUES RELATED TO ENTERPRISE DEVELOPMENT

Executive Summary

This report has been prepared in accordance with decision 446 of the Trade and Development board on, "Guidelines on the efficiency and functioning of the UNCTAD intergovernmental machinery", adopted on 16 February 1998. These guidelines require that "the Commissions should have before them, at the following session, progress reports on the implementation of agreed conclusions and recommendations by the secretariat". The secretariat submitted its first report under these guidelines during the third session of the Commission on Enterprise, Business Facilitation and Development (TD/B/COM.3/CRP.1). This is the second report and covers progress in implementing the recommendations from the third session.

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1. The report of the Commission on Enterprise, Business Facilitation and Development on its third session (TD/B/COM.3/20) contained a number of recommendations for action by UNCTAD. These recommendations are listed below along with the relevant actions taken.

Recommendation

2. UNCTAD, in cooperation and coordination with other international organizations, is requested to help developing countries integrate into networks of research institutions (in developing and developed countries) on networking, partnering and clustering issues in order to enable these countries to benefit from their research results.

Action

3. UNCTAD has established closer links with selected international research networks dealing with SME clustering issues. Staff from the Enterprise Development Branch participated in a virtual conference coordinated by the regional office of the International Development Research Centre (IDRC) in Uruguay on "Innovation clusters in Latin American countries", involving universities and institutes from Argentina, Brazil, Costa Rica, Mexico and Uruguay. It was followed by a seminar where all relevant actors, including UNCTAD, coordinated future efforts and exchanged results of their research.

4. In addition, the Director of the Division on Investment, Technology and Enterprise Development (DITE) was invited to become a member of the Advisory Board of the Competitiveness Institute, established in Barcelona in November 1998, whose mandate is to collect, develop and disseminate best practices on cluster development. One of UNCTAD's tasks will be to ensure that this information reaches developing countries. A joint mission to Argentina was organized in May 1999 in order to explore the possibilities of launching a clustering project in the Municipality of Buenos Aires, financed by the Inter-American Development Bank and involving UNCTAD, the local Empretec office and the Competitiveness Institute.

5. The secretariat also initiated a study entitled "Making North-South Research Networks Work" (E/CN.16/1999/Misc.5). This study addressed the dynamics of international research cooperation involving developing countries. Based on an empirical analysis of existing networks, it made a series of practical suggestions for "best practice" in terms of networking.

Recommendation

6. UNCTAD should examine the feasibility, within the context of the Empretec programme, of ways and means of increasing the access of SMEs to finance, including international venture capital. The Commission agreed to convene the following expert meeting under agenda item 3: Development of sustainable local services and national and international support measures including financial and non-financial services, human resource development, access to information and an assessment of access to technologies, to improve and promote the role and capacity of small and medium-sized enterprises in developing countries within the framework of a dialogue between the private and the public sector.

Action

7. UNCTAD organized an Expert Meeting on Sustainable Financial and Non-Financial Services for SME Development, from 2 to 4 June 1999. The 114 experts who attended the meeting discussed issues raised in the secretariat paper, entitled "Providing sustainable Financial and Non-Financial Services for SME Development" (TD/B/COM/.3/EM.7/2). The experts reviewed the obstacles that traditional financial institutions face in providing credit to SMEs, particularly high risks and high transaction costs. Resource persons presented a number of best practices used in microfinance that could cut these risks and costs. In addition innovations in providing access to equity funds and venture capital funds were considered. The Commission is invited to endorse the recommendations and conclusions that emerged from that Expert Meeting which would result in concrete follow-up to the discussions. These recommendations include identifying and testing ways of linking credit, leasing, equity and venture capital funds with creditworthy SMEs which have been through a pre-screening and capacity-building system and identifying and testing innovative services that can be adapted and applied to SMEs working jointly with microfinance and other institutions.

Recommendation

8. UNCTAD should undertake case studies to identify best practices in promoting inter-firm cooperation with a view to developing criteria and checklists of conditions, capacities and attitudes which make companies "partnership-ready"; this includes addressing the needs of the least developed countries at the pre-collaboration level by identifying ways of enabling enterprises to build contractual trust through their legal systems, goodwill trust by creating common vision among the partners and technical trust by strengthening their technological and managerial capabilities to carry out agreed tasks. UNCTAD should provide advice to Governments on creating an appropriate policy environment for inter-firm cooperation, as well as advice on policy options within specific sectors.

Action

9. In response to the request by the Commission, the UNCTAD secretariat has initiated the preparation of four case studies that help to identify best practices in promoting inter-firm cooperation in the North-South and South-South contexts

10. The first case study will identify successful TNC-SME linkages which have helped SMEs overcome their "access problems". In particular the study will identify what policies Governments pursued to encourage such inter-firm cooperation. The study will also describe the minimum conditions for SMEs to become "partnership ready".

11. The second case study will focus on partnerships and networking in biotechnology and their implications for capacity building. It may be relevant to mention here that enhancing capacity building in biotechnology has been selected by the ECOSOC Commission on Science and Technology for Development as a major substantive theme for its inter-sessional period 1999-2001, which indicates the importance attached to this new technology by the international community. This study will make practical recommendations on indicators of successful networking and partnerships in biotechnology, including the identification of key objectives and mechanisms in this area.

12. The third case study will concentrate on opportunities and challenges for South-South partnership in technology, investment and enterprise development arising from the processes of globalization and liberalization. The examination of specific cases of such partnerships will help to illustrate the forms and implications of this type of cooperation for capacity building and competitiveness, including success stories and failures and the factors behind them.

13. The fourth case study will address the experience of SMEs in countries in transition, particularly the role of partnerships, clustering and networking in improving capacity building and competitiveness.

14. The secretariat also initiated several studies covering new approaches to science and technology cooperation and partnership in Africa, Asia, Latin America and economies in transition, both in the North-South and the South-South context. These studies were published in the eleventh issue of UNCTAD's ATAS Bulletin, under the title: "New approaches to science and technology cooperation and capacity-building" (UNCTAD/ITE/EDS/6).

Recommendation

15. UNCTAD should compile information or an inventory with a view to establishing, if necessary, an electronic network of North-South and South-South partnering programmes, relevant associations and organizations engaged in promoting inter-firm cooperation, including useful information on intermediary matchmaking agencies, using UNCTAD's website and linking it on-line to the Empretec and the WAIPA (World Association of Investment Promotion Agencies) networks.

Action

16. Empretec is creating a database in Geneva of participants from all the countries where Empretec is operational. It is designed as an interactive network and as an instrument to create business opportunities. In 1998 Empretec Uruguay started a pilot project with TIPS, a UNDP and Europe Union programme, to create a website for participants in Uruguay that provides them with their own site to exchange information and allows for other types of interaction. Training and technical support from TIPS is also provided. This service will be extended to other Empretec programmes subject to the availability of funds. UNCTAD is also in the process of compiling information to explore the possibility of establishing an electronic network of North-South and South-South partnering programmes which could be linked to the network.

Recommendation

17. UNCTAD should prepare a study on innovative, non-fiscal incentives which can be used to stimulate clustering, promote investment, develop positive linkages within the domestic economy and bring about a greater transfer of skills and technology.

Action

18. In fulfilling this request, the secretariat has commissioned case studies on recent examples of upgrading SME clusters and has prepared a paper entitled "Policies and non-fiscal measures for

upgrading SME clusters - an assessment" (TD/B/COM.3/22). The paper is submitted as the issues paper under agenda item 3 of the fourth session of the Commission.

19. The paper highlights the increasingly technology-intensive nature of production in a globalizing world economy and the parallel necessity for firms in developing countries to acquire technological capabilities as a means to upgrade and sustain competitiveness. It emphasizes that the process of upgrading and technological capability development will depend on the context and country-specific factors that will determine the ease, cost and speed of the process of upgrading. In this context, policy considerations are discussed and the close link between technology transfer and technological capability development is stressed. The paper suggests that an over-reliance on FDI as the main vehicle for upgrading can result in the stifling of local technological effort and severely compromise the future competitiveness of domestic firms. Examples are presented of upgrading of SMEs and SME clusters, and lessons are drawn from these experiences. The paper concludes by examining the role of public policy, in collaboration with private sector institutions and the international community, in facilitating and stimulating SME cluster upgrading and technological capability development.

20. The main challenge to policy-makers is to help SMEs and their clusters to take the "high road" to competitiveness. Towards this end, policy-makers are urged to create an environment that stimulates and supports learning, innovation and constant upgrading. Such an environment should include adequate physical infrastructure and an efficient telecommunications system. Policy incentives for both the demand and supply of local technological effort should be put in place since these policies are mutually reinforcing and it is unlikely that one set will work without the other. An important implication for policy is that foreign direct investment can be a powerful instrument for technological upgrading but it cannot substitute for local technological effort. Moreover the benefits from FDI can only be accessed and maximized by firms that have the absorptive capacity to do so.

Recommendation

21. UNCTAD should also continue and expand its existing technical assistance programmes for developing countries, which are relevant for enterprise development such as Empretec, TRAINFORTRADE and others. The least developed countries should have priority in the assistance provided by UNCTAD. The specific needs of certain developing countries with structurally weak and vulnerable economies should be addressed. UNCTAD should continue to provide technical assistance to economies in transition.

Action

22. In response to requests made at the last Commission session, UNCTAD has expanded Empretec activities in a number of countries.

23. Five phases can be identified in the Empretec programme life cycle:

Phase I: Request for an Empretec project and initial discussions;

Phase II: Programming mission, consensus with Government, identification of counterpart, drafting of project document;

Phase III: Recruitment of staff, including the director, establishment of Advisory Board, installation of project, initial Entrepreneurship Training Workshop;

Phase IV: Operationalization of full project, putting in place basic training and services, certification of local trainers, setting up a national association;

Phase V: Maturity of project, offering customized training and other services, progress toward financial self-sustainability, establishing of legal entity (e.g. foundation, trust).

24. It is important to highlight the fact that Empretec transfers its methodologies to the counterpart institution in all the countries or regions where the programme becomes operational. Moreover, DITE/Empretec continually identifies innovative "best practices" or new services that can be added to those already offered by the programme (Phase V). It is a priority of the Enterprise Development Branch to ensure the provision of high-quality and updated services through audits and continuous training of its personnel. The Branch will emphasize these supervisory and improvement services in the short and medium term.

25. Another objective of DITE/Empretec is to promote interaction among entrepreneurs. This can take place through events such as the Partnership for Development Summit in Lyon (November 1998) and other bilateral or local events coordinated with the local Empretec programmes. In November 1999, the international fair of "Empretecos" from around the world will take place in Rio de Janeiro, Brazil. Wide attendance is expected, which will provide, as in previous years, an excellent opportunity to generate business and to strengthen the network of contacts and friendship.

Mediterranean region and Horn of Africa

26. The Mediterranean 2000 Programme is being implemented in four countries (first stage) with funds from the Italian Government and with the possible of participation of other donors.

27. ***Egypt (phase II):*** After extensive discussions, an approach has been agreed with the Government to initiate Empretec activities to provide assistance to technology-based enterprises with potential to export, and help them build their capacity. Additional funding sources have been identified.

28. ***Ethiopia (phase III):*** In cooperation with UNDP's Enterprise Africa programme, counterparts have been identified, the local structure to support the programme created, and a Programme Director selected. After training of local staff, marketing activities will be undertaken in the short term to promote the training and advisory services being offered to entrepreneurs.

29. ***Jordan (phase I):*** The Trade Point office is operational, and activities to install an Empretec Programme will being before the end of 1999. An agreement exists between Jordan and Egypt to allow cross-border linkages of enterprises in the two areas.

30. ***Morocco (phase III):*** The Empretec programme is being implemented with the close cooperation of the Government. Two workshops have been completed, training a total of 50 entrepreneurs. A third workshop, involving the Trade Point office in the country, is being organized for October 1999.

31. ***Palestinian Territory:*** The first Trade Point was opened in Ramallah. All the staff will be trained in 1999, and the Trade Point will become fully operational in the course of 1999.

32. Interest in co-participation in the Mediterranean 2000 Programme has been expressed by the Confederacion de Empresarios de España (CEOE), which is offering its centres and entrepreneurial events as opportunities to generate investment and business.

Africa/sub-Saharan countries

33. ***Enterprise Africa:*** UNDP's Enterprise Africa programme is a regional initiative designed to promote entrepreneurship and enterprise development in sub-Saharan Africa. Based on the Empretec model, it operates as a regional network and also as a focal point for coordinating existing and new initiatives sponsored by UNDP, other donor agencies, Governments and NGOs aimed at accelerating the growth, expansion and competitiveness of SMEs in Africa and improving the quality of indigenous African entrepreneurship. UNCTAD was selected as a partner organization to implement new Empretec-like projects in Africa under the framework of UNDP's Enterprise Africa programme.

34. ***Ghana (phase V) and Zimbabwe (phase V):*** work plans to ensure closer cooperation between Empretec programmes in both countries and the Centres for Innovation and Enterprise Development (CIEDs) are under preparation. To this end complementary activities and needs have been identified with a view to generating additional donor funds for the Centres.

35. Nascent entrepreneurial South-South flows between the Empretec programmes in Ghana and Uruguay are also worth mentioning in this context.

Central America (phase II)

36. The Partnership Agreement signed by six Central American countries, the Inter-American Development Bank (IDB) and UNCTAD during the Partners for Development Summit in Lyon (9-12 November 1998) has become operational. The IDB and UNCTAD/DITE undertook a joint mission to Central America in April 1999 to assess needs and the feasibility of implementing Empretec programmes in Costa Rica, El Salvador, Guatemala, Honduras, Nicaragua and Panama. The experts taking part in the mission worked together to identify official counterparts for the programmes in each country. They also identified future members for the Board of Directors and the Assessment Committee of the Foundations to be established in each country.

37. The Spanish Agency for International Cooperation (AECI) will finance two workshops on the Empretec methodology in Antigua and Guatemala in August and October 1999.

38. The Central American regional programme aims to generate more than 1,500 new enterprises and business start-ups over a period of three years, and to build in each country local structures capable of providing assistance to enterprises which will achieve self-sustainability in the medium term.

Caribbean

39. ***Suriname (phase II):*** An initial programming mission to Suriname was undertaken in November 1998 to discuss an Empretec Suriname project with the Government, national stakeholders and the donor community. Follow-up discussions were also held in Guyana with the Caribbean community (CARICOM) on the Empretec Caribbean regional programme *(phase II)* and in Trinidad and Tobago on the Trinidad and Tobago chapter of the Empretec Caribbean regional programme.

South America

40. ***Bolivia (phase III) and Peru (phase I):*** A mission is scheduled for August 1999 to relaunch the Empretec programme in Bolivia and undertake the necessary activities to launch Empretec in Peru.

41. ***Brazil/Nordeste (phase II):*** UNCTAD, in coordination with SEBRAE, prepared a programme at the request of the Banco del Nordeste. Empretec methodologies will be used to promote enterprise development and exports in specific sectors critical to the economy of the nine states in north-east Brazil.

42. ***Paraguay (phase II):*** The first steps to install an Empretec programme have been initiated. A programming mission has been undertaken, sources of funding have been identified, and the process of selecting counterparts has been set in motion.

43. ***Uruguay (phase V):*** A Programme for New Exporters, jointly financed by IDB and Empretec Uruguay, is being implemented on the basis of a methodology from the COPCA Business Centre of Catalonia.

44. ***Venezuela (phase V):*** Within the framework of a comprehensive assistance programme that UNCTAD will provide to this country, Empretec has agreed with the Ministry of Industry and Chambers of Commerce to undertake a series of activities to provide technical assistance to specific economic sectors and to specific regions in the country. Programme activities will target enterprises in the public sector undergoing reform and re-engineer their use of human resources. This will be done through Empretec's "Initiative" methodology, a programme that has produced excellent results in Uruguay.

Russian Federation

45. ***Rostov (phase III):*** The first Empretec workshop for entrepreneurs in the region took place in February 1999. This first phase of programme installation required intensive efforts to translate the training materials into Russian and to provide technical assistance to entrepreneurs. New sources of funding are being identified in order to advance the implementation of the programme.

Summary of progress in Empretec project installation

Empretec project phase	**Countries**
Phase I: Request for an Empretec project and initial discussions	Cuba, Ecuador, Indonesia, Jordan, Kenya, Peru
Phase II: Programming mission, consensus with Government, identification of counterpart, drafting of project document	Brazil/Nordeste, Caribbean regional programme, Costa Rica, Egypt, Guatemala, Guyana, Honduras, Mauritius, Mozambique, Namibia, Panama, Paraguay, Spain, South Africa, Suriname
Phase III: Recruitment of staff, including the director, establishment of Advisory Board, installation of project, initial Entrepreneurship Training Workshop	Bolivia, Ethiopia, Morocco, Russian Federation
Phase IV: Operationalization of full project, putting in place basic training and services, certification of local trainers, setting up a national association	Botswana
Phase V: Maturity of project, offering customized training and other services, progress toward financial self-sustainability, establishing of legal entity (e.g. foundation, trust)	Argentina, Brazil, Chile, Colombia, Ghana, Uruguay, Venezuela, Zimbabwe